

Message Text

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ORIGIN XMB-04

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-----300340Z 027272 /60
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FM SECSTATE WASHDC
TO AMEMBASSY LISBON

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E.O. 11652: N/A
TAGS: EGEN
SUBJECT: CNP PETROCHEMICAL COMPLEX

1. EIB IS NOW CONSIDERING PRELIMINARY COMMITMENTS FOR THE FOLLOWING CNP TRANSACTIONS: (A) TWO GE TURBINES VALUED AT ABOUT \$5.5 MILLION, (B) CHICAGO BRIDGE AND IRON EQUIPMENT SERVICES, AND TECHNOLOGY FOR ETHYLENE STORAGE AND LOADING FACILITIES VALUED AT \$25 MILLION AND A LITWIN CORPORATION, HOUSTON LOW DENSITY POLY-ETHYLENE PLANT VALUED AT \$35-40 MILLION. IN ADDITION LUMMUS HAS NOTIFIED EIB OF THEIR INTEREST IN THE HIGH DENSITY POLYETHYLENE, POLYPROPYLENE AND THE BUTADIENE PLANTS. THIS AMOUNT OF POTENTIAL BUSINESS IN THE CHEMICAL SECTOR CALLS FOR A THOROUGH APPRAISAL OF THE ECONOMIC VIABILITY OF THE PROJECT PARTICULARLY IN LIGHT OF RECENT PRESS (NYT DECEMBER 13, 1976) CRITICISM OF THE PROJECT'S ECONOMIC SOUNDNESS.

2. REQUEST EMBASSY TO DETERMINE, IF POSSIBLE, THE CHANCE OF SUCCESS OF LITWIN AND LUMMUS ON THE DOWN STREAM PLANTS (HIGH AND LOW DENSITY POLYETHYLENE, POLYPROPYLENE AND BUTADIENE) GIVEN THE UNCLASSIFIED

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PARTIAL FRENCH OWNERSHIP AND IMPRESSION FROM OUR NOVEMBER MEETING THAT THIS BUSINESS WOULD PROBABLY GO TO FRANCE. A CURRENT TIMETABLE FOR THE CONTRACT AWARDS WILL BE HELPFUL.

3. EIB WILL APPRECIATE ASSISTANCE IN OBTAINING COPIES OF ECONOMIC FEASIBILITY STUDIES ETC. THAT INDICATE COSTS, PROFITS, MARKETS

(DOMESTIC AND EXPORT) VOLUME OF EACH PRODUCT, AND PRICES. ARE THERE ANY LONG TERM MARKETING CONTRACTS? DR. ECKHAUS OF MIT DID AN OECD REPORT SEVERAL YEARS AGO ON SINES THAT HAS BEEN SUPPRESSED BY THE GOVERNMENT, BUT HE HAS REFERRED EIB TO THE PORTUGUESE TRANSLATION THAT APPEARED IN THE COMMUNIST PARTY NEWSPAPER SOME TIME AGO. IS AN ENGLISH TRANSLATION OF THIS AVAILABLE?

4. BASED ON GOVERNMENT BUDGET CONSTRAINTS AND ON INTERNAL POLITICAL CRITICISM OF THE PROJECT, IS THERE ANY EVIDENCE THAT THE POSITION OF THE PETROCHEMICAL COMPLEX IN THE GOP ECONOMIC PLAN WILL CHANGE? EXIM WILL APPRECIATE EMBASSY'S ANALYSIS OF THE SUBJECT PROJECT'S ECONOMIC JUSTIFICATION AND ON OTHER FACTORS RELEVANT TO EIB'S DECISION OF WHETHER TO PARTICIPATE.

5. LEIK, DONEGAN AND BECKER HAVE COMPLETED THEIR TRIP REPORT AND THIS WILL BE FORWARDED IN SEVERAL DAYS.
ROBINSON

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